

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Ingersoll Township	County Midland
Fiscal Year End June 30, 2006	Opinion Date October 20, 2006	Date Audit Report Submitted to State December 12, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


SE  
Q

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Burnside & Lang, P.C.		Telephone Number (989) 835-7721		
Street Address 5915 Eastman Ave, Suite 100		City Midland	State MI	Zip 48640
Authorizing CPA Signature 		Printed Name Mark R. Freed, CPA, CSEP		License Number 1101012221

**INGERSOLL TOWNSHIP**  
**MIDLAND COUNTY, MICHIGAN**

---

**FINANCIAL STATEMENTS**  
For The Year Ended June 30, 2006

INGERSOLL TOWNSHIP  
BOARD OF TRUSTEES

Curtis Shaffner

Supervisor

Nancy Farison

Treasurer

Mary Ellen Keel

Clerk

Daniel Cline

Trustee

Charles W. Tabb

Trustee

POPULATION-2000  
3,018

STATE EQUALIZED VALUATION-2005  
\$87,730,600

STATE TAXABLE VALUE-2005  
\$71,124,435

**INGERSOLL TOWNSHIP  
MIDLAND COUNTY, MICHIGAN  
AUDITED FINANCIAL STATEMENTS  
June 30, 2006**

Table of Contents

**FINANCIAL SECTION:**

INDEPENDENT AUDITORS' REPORT .....	1
------------------------------------	---

**REQUIRED SUPPLEMENTARY INFORMATION:**

Management Discussion and Analysis (Exhibit 1) .....	2-3
--	-----

**BASIC FINANCIAL STATEMENTS:**

Government-Wide Statement of Net Assets (Exhibit 2).....	4
--	---

Government-Wide Statement of Activities (Exhibit 3) .....	5
---	---

Governmental Funds Balance Sheet (Exhibit 4).....	6
---	---

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets (Exhibit 4.1).....	7
---	---

Statement of Revenue, Expenditures, and Changes in Fund Balances (Exhibit 5) .....	8
---	---

Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities (Exhibit 5.1) .....	9
---	---

Statement of Fiduciary Assets and Liabilities Fiduciary Fund (Exhibit 6).....	10
--	----

Notes to Financial Statements.....	11-18
------------------------------------	-------

**REQUIRED SUPPLEMENTARY INFORMATION:**

Budgetary Comparison Schedule--General Fund (Exhibit 7) .....	19
---	----

**Independent Auditors' Report**

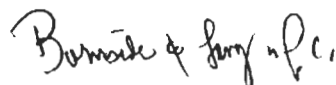
Members of The Township  
Board of Trustees  
Ingersoll Township  
Midland County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ingersoll Township (the "Township"), Midland County, Michigan, as of and for the year ended June 30, 2006 which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Ingersoll Township, Midland County, Michigan, as of June 30, 2006, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 3 and 19, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Midland, Michigan  
October 20, 2006

## **Management's Discussion and Analysis**

As the Township Board of Ingersoll Township, we offer readers of the township's financial statements this narrative overview and analysis of the financial activities of Ingersoll Township for the fiscal year ended June 30, 2006.

### **Financial Highlights**

- The assets of Ingersoll Township exceeded its liabilities at the close of the most recent fiscal year by \$898,017 (net assets). Of this amount, \$425,552 (unrestricted net assets) may be used to meet the township's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, Ingersoll Township's governmental funds reported combined ending fund balances of \$551,645, a \$14,323 decrease in comparison with the prior year. Of the total amount, \$544,107 is available for spending at the township's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$425,992 or 107 percent of total general fund expenditures.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to Ingersoll Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

Government-wide financial statements are designed to provide readers with a broad overview of the Township's finances. Statement of net assets presents information on all of the Township's assets and liabilities and the statement of activities presents information showing how the Township's net assets changed during the most recent fiscal year.

The government-wide financial statements can be found on pages 4-5 of this report.

Ingersoll Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

Governmental fund statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Ingersoll Township maintains two individual government funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statements of revenues, expenditures, and changes in fund balances for the general fund and solid waste fund which are considered to be major funds.

The Township adopts an annual appropriated budget for its general fund and solid waste fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Ingersoll Township maintains one fiduciary fund, the Tax Collection fund. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Township's own programs.

The basic fiduciary fund financial statements can be found on page 10 of this report.

#### **Notes to the financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 11-18 of this report.

#### **Economic Factors and Next Year's Budgets and Rates**

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state-shared revenues. State-shared revenues are expected to decrease in the 2006-2007 fiscal year. The Township budgeted for a decrease in state-shared revenue, but additional cuts have already been made and more cuts are expected before the end of the fiscal year. The Township's millage rate remained at the previous years' millage rate of 1.1704 mills for general operating purposes. These factors were considered in preparing the Township's budget for the 2006-2007 fiscal year.

#### **Request for Information**

This financial report is designed to provide a general overview of Ingersoll Township's finances for all those with an interest in the township's finances. Questions concerning any of the information provided in the report or requests for additional financial information should be addressed to the Clerk of Ingersoll Township, 4183 S. Smith Crossing Road, Freeland, MI 48623, or phone (989) 695-5200.

**INGERSOLL TOWNSHIP**  
**GOVERNMENT-WIDE STATEMENT OF NET ASSETS**  
**June 30, 2006**

**ASSETS**

Cash and cash equivalents	\$ 614,807
Other receivables	410
Due from other governmental units	30,780
Other current assets	7,538
Capital assets:	
Land and improvements, net	181,601
Buildings and improvements, net	126,863
Equipment, net	37,908
Total capital assets	<u>346,372</u>
<b>Total assets</b>	<b><u>999,907</u></b>

**LIABILITIES**

Accounts payable	<u>101,890</u>
<b>Total liabilities</b>	<b><u>101,890</u></b>

**NET ASSETS**

Invested in capital assets, net of related debt	346,372
Restricted for:	
Sanitation	126,093
Unrestricted	425,552
<b>Total net assets</b>	<b><u>\$ 898,017</u></b>

The accompanying notes are an integral part of these financial statements.



**INGERSOLL TOWNSHIP**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2006**

Activities:	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General Government:					
Township board	\$ 19,751	\$ -	\$ -	\$ -	\$ (19,751)
Supervisor	14,177	-	-	-	(14,177)
Treasurer	28,894	-	-	-	(28,894)
Assessing	17,656	-	-	-	(17,656)
Clerk	30,650	-	-	-	(30,650)
Board of review	1,445	-	-	-	(1,445)
Buildings and grounds	26,189	9,375	-	-	(16,814)
All other general government	7,569	9,657	-	-	2,088
Fire protection	28,481	-	-	-	(28,481)
Building inspection and regulation activities	13,651	19,739	-	-	6,088
Cemetery	15,323	-	-	-	(15,323)
Roads	170,598	-	-	-	(170,598)
Street lights	2,602	-	-	-	(2,602)
Sanitation, solid waste	121,114	126,661	-	-	5,547
Planning and zoning	10,301	-	-	-	(10,301)
Library	15,750	-	-	-	(15,750)
Interest charges	146	-	-	-	(146)
<b>Total governmental activities</b>	<b>\$ 524,297</b>	<b>\$ 165,432</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(358,865)</b>
General revenues:					
Property taxes, levied for general purposes					98,421
Property tax agreement with the City of Midland					743
State revenue sharing					207,461
Interest earnings					9,778
Miscellaneous					19,548
Total general revenues					335,951
Change in net assets					(22,914)
Net assets-beginning					920,931
<b>Net assets-ending</b>					<b>\$ 898,017</b>

The accompanying notes are an integral part of these financial statements.

**INGERSOLL TOWNSHIP**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**June 30, 2006**

	<b>General Fund</b>	<b>Sanitation Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 474,413	\$ 140,394	\$ 614,807
Due from other funds	410	-	410
Due from other governmental units	30,780	-	30,780
Prepaid items	7,538	-	7,538
<b>Total assets</b>	<b>\$ 513,141</b>	<b>\$ 140,394</b>	<b>\$ 653,535</b>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 87,589	\$ 14,301	\$ 101,890
Total liabilities	87,589	14,301	101,890
<b>Fund Equity:</b>			
Fund balance:			
Reserved for prepaid expenditures	7,538	-	7,538
Unreserved and undesignated	418,014	126,093	544,107
Total fund balances	425,552	126,093	551,645
<b>Total liabilities and fund equity</b>	<b>\$ 513,141</b>	<b>\$ 140,394</b>	<b>\$ 653,535</b>

The accompanying notes are an integral part of these financial statements.

**INGERSOLL TOWNSHIP**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**June 30, 2006**

Total fund balances for governmental funds (Exhibit 4)	\$	551,645
--	----	---------

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land and improvements, net	\$	181,601	
Buildings and improvements, net		126,863	
Equipment, net		<u>37,908</u>	
Total capital assets			<u>346,372</u>

Total net assets of governmental activities (Exhibit 2)	\$	<u>898,017</u>
---	----	----------------

The accompanying notes are an integral part of these financial statements.

**INGERSOLL TOWNSHIP**  
**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES**  
**For the Year Ended June 30, 2006**

	<b>General Fund</b>	<b>Sanitation Fund</b>	<b>Total</b>
<b>REVENUES</b>			
Property taxes	\$ 99,164	\$ -	\$ 99,164
Licenses and permits	34,049	-	34,049
State aid	207,461	-	207,461
Charges for services	9,657	-	9,657
Interest and dividends	9,778	2,102	11,880
Rents and royalties	9,375	-	9,375
Fines and forfeits	3,901	-	3,901
Sale of assets	1,000	-	1,000
Miscellaneous	404	124,559	124,963
<b>Total revenues</b>	<b>374,789</b>	<b>126,661</b>	<b>501,450</b>
<b>EXPENDITURES</b>			
General Government:			
Township board	19,751	-	19,751
Supervisor	13,977	-	13,977
Treasurer	28,862	-	28,862
Assessing	17,117	-	17,117
Clerk	29,857	-	29,857
Board of review	1,445	-	1,445
Buildings and grounds	16,667	-	16,667
All other general government	7,484	-	7,484
Public Safety:			
Fire protection	28,481	-	28,481
Building inspection and regulation activities	13,651	-	13,651
Public Works:			
Cemetery	14,490	-	14,490
Roads and drains	170,598	-	170,598
Landfill	1,640	119,474	121,114
Street lights	2,602	-	2,602
Community Development:			
Planning and zoning	10,301	-	10,301
Recreation and Culture:			
Parks and recreation	-	-	-
Library	15,750	-	15,750
Debt Service			
Principal payments	3,480	-	3,480
Interest payments	146	-	146
Total expenditures	396,299	119,474	515,773
Excess (deficiency) of revenues over expenditures	(21,510)	7,187	(14,323)
Fund balances-beginning	447,062	118,906	565,968
<b>Fund balances-ending</b>	<b>\$ 425,552</b>	<b>\$ 126,093</b>	<b>\$ 551,645</b>

The accompanying notes are an integral part of these financial statements.

**INGERSOLL TOWNSHIP  
RECONCILIATION OF THE STATEMENT OF REVENUE,  
EXPENDITURES, AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
June 30, 2006**

Net change in fund balances - total governmental funds (Exhibit 5)	\$	(14,323)
--	----	----------

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$0) exceeded depreciation (\$12,004) and a loss on disposal (\$67), in the current period.		(12,071)
---	--	----------

Bond proceeds and capital leases are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Repayments:

Payable to Midland County - drain commission	3,480		3,480
--	-------	--	-------

Change in net assets of governmental activities (Exhibit 3)	\$	(22,914)
---	----	----------

The accompanying notes are an integral part of these financial statements.

**INGERSOLL TOWNSHIP**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**FIDUCIARY FUND**  
**June 30, 2006**

	<u>Tax Collection</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 410
Total assets	<u>410</u>
<b>LIABILITIES</b>	
Due to others	-
Due to other funds	<u>410</u>
Total liabilities	<u>410</u>
<b>NET ASSETS</b>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

**INGERSOLL TOWNSHIP  
MIDLAND COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

**A. Reporting Entity**

The Township is governed by an elected five-member board. The accompanying financial statements present the Township operations for which the government is considered to be financially accountable. The Township has no component units and is not responsible for any jointly governed organizations.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contribution that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**INGERSOLL TOWNSHIP  
MIDLAND COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation  
(Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township property tax is levied each December 1<sup>st</sup> on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31<sup>st</sup>. Although the Township 2004 ad valorem tax is levied and collectible on December 1, 2005, it is the Township's policy to recognize revenue from the current tax levy in the subsequent year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

The 2005 taxable valuation of the Township totaled \$71,124,435, on which ad valorem taxes levied consisted of 1.1991 mills for Township operating purposes. This amount is recognized in the General Fund as current tax revenue.

The government reports the following major funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Sanitation Fund accounts for providing garbage and rubbish collection financed by an annual special assessment.

Additionally, the government reports the following fund type:

The Current Tax Collection Fund is used to account for resources held by the Township in a purely custodial capacity. Money in this fund is from current tax and special assessment collections. Timely distribution to the appropriate fund and local unit must be made in accordance with Section 43 of the General Property Tax Act.

The McKinley Woods Fund is a general agency fund used to collect money from private property owners and pay for services.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.



**INGERSOLL TOWNSHIP  
MIDLAND COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation  
(Continued)**

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

**D. Assets, Liabilities, and Net Assets**

Bank Deposits and Investments—Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables—In general, outstanding balances between funds are reported as “due to/from other funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

Prepaid Items—Certain payments to vendors reflect cost applicable to future years and are recorded as prepaid items in the government-wide and fund statements.

Capital Assets—Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	10 to 40 years
Building improvements	10 to 30 years
Hall equipment	5 to 30 years
Office equipment	5 to 30 years
Computer equipment	5 years

**INGERSOLL TOWNSHIP  
MIDLAND COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities, and Net Assets (Continued)**

Long-Term Obligations—In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity—In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information—Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the debt service funds. All annual appropriations lapse at fiscal year end. The budget document presents information by fund, function, department or activity, and line items. The legal level of budgetary control adopted by the governing body is the department or activity level.

Excess of Expenditures Over Appropriations in Budgeted Funds—During the year, the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Budgeted Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>
General Fund- Fire Protection	\$ 26,600	\$ 28,481
General Fund- Roads	136,554	170,598

**INGERSOLL TOWNSHIP  
MIDLAND COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006**

**NOTE 3. DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptances of United States banks' commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has designated three banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory as listed above.

The Township's deposits and investment policy are in accordance with statutory authority.

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<b>Governmental Activities</b>
Cash and cash equivalents	<u>\$ 614,807</u>

Investment and Deposit Risk

**Custodial Credit Risk – Deposits.** Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$614,807 of bank deposits (checking and savings accounts), of which \$198,187 were potentially uninsured and uncollateralized.

**Custodial Credit Risk – Investments.** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, that the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At year end, the Township had no investments.

**Interest Rate Risk – Interest rate risk** is the risk that the value of investments will decrease as a result of a rise in interest rates. State law limits the allowable investments and the maturities of some of the allowable investments. The Authority's current investments have no potential interest rate risk.

**INGERSOLL TOWNSHIP  
MIDLAND COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006**

**NOTE 4. CAPITAL ASSETS**

Capital asset activity of the Township for the current year was as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital Assets Not Being Depreciated				
Land	\$ 181,601	\$ -	\$ -	\$ 181,601
Capital Assets Being Depreciated				
Buildings	217,089	-	-	217,089
Equipment – Township	102,467	-	516	101,951
Subtotal	319,556	-	516	319,040
Less Accumulated Depreciation for				
Buildings	84,174	6,052	-	90,226
Equipment – Township	58,538	5,952	(447)	64,043
Subtotal	142,712	12,004	(447)	154,269
Net Capital Assets Being Depreciated	176,844	(12,004)	69	164,771
Governmental Activities Capital Assets–Net of Depreciation	\$ 358,445	\$ (12,004)	\$ 69	\$ 346,372

Depreciation expense was charged to programs of the Township as follows:

General government:

Supervisor	\$ 200
Treasurer	32
Assessing	539
Clerk	793
Buildings and grounds	9,522
All other general government	85
Cemetery	833
	<u>\$ 12,004</u>

**INGERSOLL TOWNSHIP  
MIDLAND COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006**

**NOTE 5. INTERFUND RECEIVABLES AND PAYABLES**

The amount of inter-fund receivables and payables are as follows:

<u>Fund</u>	<u>Inter-fund Receivable</u>	<u>Fund</u>	<u>Inter-fund Payable</u>
General	\$ 410	Tax	\$ 410
<b>Total</b>	<b><u>\$ 410</u></b>	<b>Total</b>	<b><u>\$ 410</u></b>

**NOTE 6. LONG-TERM DEBT**

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties that directly benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Bond and contractual obligation activity can be summarized as follows:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>
Waite Debolt Drain, assessment payable to Midland County. The principal amount issued at July 1, 2001 was \$17,400, with an interest rate of 4.19% and was paid off in the current year.	<u>\$ 3,480</u>	<u>-</u>	<u>\$ 3,480</u>	<u>-</u>

**INGERSOLL TOWNSHIP  
MIDLAND COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006**

**NOTE 7. RISK MANAGEMENT**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation). The Township has purchased commercial insurance for these types of claims. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

**NOTE 8. PENSION PLAN**

The Township provides pension benefits to members of the Township Board of Trustees, constables, building inspector, fire chief and custodian through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Township contributes 7% of employee gross earnings and the employee contributes 7% of earnings. In accordance with these requirements, the Township contributed \$4,283 during the current year and employees contributed \$4,283.

**NOTE 9. URBAN COOPERATION ACT AGREEMENT**

The Township has agreements with the City of Midland under the Urban Cooperation Act, which require these two units of government to share property taxes collected on real property annexed by the City of Midland and formerly within Ingersoll Township. Under the agreements, the City of Midland is required to pay the Township a portion of ad valorem property taxes levied on the related real property as of the date specified in the agreements and indexed by the rate of inflation for succeeding years.

**INGERSOLL TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Year Ended June 30, 2006**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Property taxes	\$ 89,035	\$ 89,035	\$ 99,164	\$ 10,129
Licenses and permits	17,500	17,500	34,049	16,549
State aid	213,968	213,968	207,461	(6,507)
Charges for services	1,050	1,050	9,657	8,607
Interest and dividends	3,565	3,565	9,778	6,213
Rents and royalties	8,200	8,200	9,375	1,175
Fire Run Reimbursements	2,000	2,000	3,901	1,901
Sale of assets	1,500	1,500	1,000	(500)
Miscellaneous	310	310	404	94
<b>Total revenues</b>	<b>337,128</b>	<b>337,128</b>	<b>374,789</b>	<b>37,661</b>
<b>EXPENDITURES</b>				
General Government:				
Township board	23,405	23,405	19,751	3,654
Supervisor	16,467	16,467	13,977	2,490
Treasurer	29,255	29,255	28,862	393
Assessing	17,750	17,750	17,117	633
Clerk	30,092	30,092	29,857	235
Board of review	1,931	1,931	1,445	486
Buildings and grounds	28,856	28,856	16,667	12,189
All other general government	15,650	15,650	7,484	8,166
Public Safety:				-
Fire protection	26,600	26,600	28,481	(1,881)
Building inspection and regulation activities	16,020	16,020	13,651	2,369
Public Works:				-
Cemetery	26,496	26,496	14,490	12,006
Roads	136,554	136,554	170,598	(34,044)
Landfill	2,161	2,161	1,640	521
Street lights	2,800	2,800	2,602	198
Community Development:				-
Planning and zoning	15,350	15,350	10,301	5,049
Recreation and Culture:				-
Library	15,750	15,750	15,750	-
Contingency fund	11,525	11,525	-	11,525
Debt Service				-
Principal payments	3,480	3,480	3,480	-
Interest payments	146	146	146	-
<b>Total expenditures</b>	<b>420,288</b>	<b>420,288</b>	<b>396,299</b>	<b>23,989</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(83,160)</b>	<b>(83,160)</b>	<b>(21,510)</b>	<b>61,650</b>
Fund balances-beginning	447,062	447,062	447,062	-
<b>Fund balances-ending</b>	<b>\$ 363,902</b>	<b>\$ 363,902</b>	<b>\$ 425,552</b>	<b>\$ 61,650</b>

October 20, 2006

Members of the Township Board  
of Trustees  
Midland County, Michigan

Dear Board Members:

In planning and performing our audit of the financial statements of Ingersoll Township, for the year ended June 30, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that we believe to be material weaknesses.

### **OTHER MATTERS**

The following items, although not considered reportable conditions, are matters we believe worthy of your consideration.

### **Financial Oversight**

The general limitations in any smaller municipalities like Ingersoll Township requires that the Township Board of Trustee members continue to remain involved in the financial affairs of the Township through oversight of operation, development of the annual budget, inquiries about variance between budgeted and actual amounts shown in the financial statements, and the independent review of critical functions. Our comment here is intended to emphasize the importance of this oversight.



**CONCLUSION**

These conditions were considered in determining the nature, timing, and extent of the audit tests applied on our audit of the June 30, 2006, financial statements, and this report does not affect our report on those financial statements dated October 20, 2006. We have not considered internal control since the date of our report.

This report is intended for the information of the members of the Township Board, management and the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark Burnside", followed by the initials "CB" and the year "2006".

**BURNSIDE & LANG, P.C.**

October 20, 2006

Members of the Township  
Board of Trustees  
Ingersoll Township  
Midland, Michigan

This letter is intended to inform the Board of Trustees of Ingersoll Township about significant matters related to the conduct of the annual audit so that it can appropriately discharge its oversight responsibility, and that we comply with our professional responsibilities to the Board of Trustees.

The following summarizes various matters which must be communicated to you under U.S. generally accepted auditing standards.

**Our Responsibility Under U.S. Generally Accepted Auditing Standards**

Our audit of the financial statements of Ingersoll Township for the year ended June 30, 2006 was conducted in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Accordingly, the audit was designed to obtain reasonable, rather than absolute, assurance about the financial statements. We believe that our audit accomplished that objective.

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

**Management Judgments and Accounting Estimates**

Accounting estimates are an integral part of the preparation of financial statements and are based on management's current knowledge. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Management has informed us that they used all the relevant facts available to them at the time to make the best judgment about accounting estimates, and we considered this information in the scope of our audit. These estimates are relatively insignificant in relation to the financial statements taken as a whole.

Audit & Assurance Services ■ Accounting & Finance Services ■ Estate & Gift Tax Planning & Consulting  
Tax Planning & Preparation ■ Financial & Management Assistance ■ Business Valuations

### **Audit Adjustments**

There were audit adjustments made to the original trial balance presented to us to begin our audit. In our judgment, the adjustments we proposed, either individually or in the aggregate, are not considered to have a significant effect on the Township's financial reporting process. A copy of all audit adjustment accompany this letter.

### **Accounting Policies and Alternative Treatments**

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Township. The Township did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period which should be brought to your attention for approval.

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### **Disagreements with Management**

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

### **Consultation with Other Accountants**

We are not aware of any consultations management had with other accountants about accounting or auditing related matters.

### **Major Issues Discussed with Management Prior to Retention**

No major issues were discussed with management prior to our retention to perform the aforementioned audit.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in the performance of our audit.

**Other Matter**

*Internal Control Policies*

Statement on Auditing Standard (SAS) No. 99, requires auditors to assess risks of fraud after taking into account the evaluation of the township's programs and controls to prevent, deter and detect fraud. As part of our responsibilities under SAS 99, we have addressed the risk assessment by performing inquiries, completing comprehensive checklists and performing other procedures designed to detect fraud risk factors. SAS 99 further states that it is management's responsibility for designing and implementing effective systems and procedures for preventing, deterring and detecting fraud. While we did not identify any specific fraud risks, we recommend the Township periodically review the controls in place to prevent, deter and detect fraud.



BURNSIDE & LANG, P.C.  
Midland, Michigan  
October 20, 2006